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IN THE

Supreme Court of the United States

OCTOBER TERM, 1941

No. 649

MISHAWAKA RUBBER AND WOOLEN MANUFACTURING COMPANY,
Petitioner,
vs.
S. S. KRESGE COMPANY,
Respondent

BRIEF OF RESPONDENT

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BRIEF OF RESPONDENT

STATEMENT OF THE CASE

In our opinion a more complete statement of the case is necessary to an understanding of the problems raised by the petition. We therefore exercise our right under Rule 27, paragraph 4, to supplement and correct petitioner's statement of facts.

Petitioner is a manufacturer and wholesaler only. It manufactures its "Mishko" heel, exhibited by plaintiff's exhibit 16 attached to the petition, for the purpose of being attached as a component part of its finished footwear which is then wholesaled to the trade. Petitioner has consistently refused to manufacture and sell replacement heels (R. 56).

Respondent, S. S. Kresge Company, on the other hand, is a retailer only. It retails rubber heels only for replacement purposes on footwear previously manufactured and sold by someone else.

Petitioner's exhibit 16 indicates, and the affidavit of its president, Mr. Fink, admits (R. 53) and the Trial Court found (R. 303) that the red circular ball figure is never used alone by petitioner on its rubber heels attached to its finished footwear. The heels have always borne in addition to the red circular trade-mark, the words "Mishko," then in a parallelogram "First Quality, Ball Band, Mishawaka, Ind." and then below "Made in U.S.A." with the red plug inserted centrally in the parallelogram with the words "Trade-Mark" thereon.

On the other hand, all of the replacement heels retailed by respondent, known as the "Crusader" heels, have had embossed thereon besides the name "Crusader" the name of "S. S. Kresge" or "S. S. Kresge Company." Petitioner's exhibits 33, 59 and 79 so indicate.

All of the replacement heels sold at retail by respondent known as the "Surefoot" heels and manufactured by the O'Sullivan Rubber Company, have embossed thereon the arbitrary name "Surefoot." All of these heels except the two large men's heels which petitioner has seen fit to exhibit in its petition known as Exhibits 37 and 54, have had embossed thereon the words "Gettysburg, Pa." which is the place where the heels are manufactured by the O'Sullivan Rubber Company.

Petitioner claimed by letter dated May 5, 1933 (R. 362) that the Crusader's head ornamentation in the color red and evidenced by petitioner's exhibit 79, was an infringement. By wire dated May 19, 1933 (R. 143) respondent's buyer ordered the Essex Rubber Company to discontinue making up for defendant Crusader heels with the ornamentation above mentioned in red. Thereafter, from June 6, 1933, until June, 1934, the Crusader heels in the same ornamentation with the name "S. S. Kresge Company" thereon were made up in the color orange as indicated by petitioner's exhibit 59. On June 14, 1934, petitioner wrote respondent relative to the Crusader heel, arbitrarily demanding (see exhibit 134—R. 409):

> "We now demand that you discontinue immediately the display and sale of rubber heels bearing circular marks in red, pink, orange, yellow or any other colors in which you have been or are using such marks."

On June 29, 1934, respondent notified the Essex Rubber Company to discontinue all deliveries to it of the Crusader heel until "your Mishawaka trouble is straightened out" (R. 143). Thereafter, the molds were changed and beginning September 15, 1934, the Crusader heel was purchased from the Essex Rubber Company with the Crusader's head in hollow relief indented upon a diamond shaped mark in natural rubber color as evidenced by petitioner's exhibit 33.

In December of 1931 Essex Rubber Company first began using red as a color for its Crusader mark contrasting with the black rubber of its heels manufactured for replacement purposes (R. 166). Respondent, however, did not begin to purchase these heels from Essex Rubber Company until June of 1933.

The Surefoot heels were first manufactured as early as 1920 by the O'Sullivan Rubber Company, Inc. of New York

City (R. 170). They were first purchased on or about July 1, 1934, by respondent, S. S. Kresge Company (R. 141-2, 170). Petitioner claimed by letter dated August 11, 1934, that these heels were an infringement of its rights. Correspondence with plaintiff's attorney continued to September 12, 1934, relative thereto (R. 408). In November of 1934, respondent ordered discontinuance of the Surefoot heels with the Indian head in the color red (R. 141-2). Thereafter the color was changed to green and purchases have continued (R. 170) in that color.

The Evergrip heel was first manufactured by the Boston Woven Hose & Rubber Company in 1923 (R. 171). It was first purchased by respondent early in 1934, having as an identifying symbol in addition to the name "Evergrip" an American eagle in a circular disk in the color white, but after approximately two months the color was changed to a beige or tan color as exhibited by petitioner's exhibit 48 (R. 143).

An analysis of the heels on display in defendant's sixty-seven stores covered by petitioner's affidavits was made in July of 1935, just prior to the preliminary hearing (R. 209). It disclosed that the Crusader heel with its ornamentation as heretofore described in the color red made up but 1.54% of the heels on display or a total of 173 pairs out of 11,204; that the Surefoot heel with its ornamentation as heretofore described in the color red constituted but 8.52% of the heels on display or a total of 955 pairs (R. 172-3).

When placed upon the sales counters of the respondent, S. S. Kresge Company, these various assorted heels ornamented, marked and named as above described, were segregated and so arranged as to provide a colorful and attractive display of merchandise (R. 175). They were never indiscriminately mixed together as petitioner contends, for the Trial Court found (R. 302):

"That the replacement heels offered for sale by the defendant, S. S. Kresge Company, when placed by them upon their counters, were never indiscriminately displayed together but were customarily and usually arranged in such a manner as to display a variety of the colored inserts to the prospective purchaser and without emphasizing any colored insert over any other colored insert, and in each instance segregating and massing particular colors together in order to provide an attractive display of the articles, but there is proof that subsequently some of these heels became indiscriminately mixed."

Prior to the preliminary hearing on August of 1935, respondent voluntarily discontinued the purchase for sale at retail of replacement heels with an ornamented trade-mark in either red or orange but declined to discontinue other contrasting colors as arbitrarily demanded by petitioner in June of 1934 (Exhibit 134—R. 409).

It is significant to note here that petitioner in Point III of its argument, endeavors to extend its injunction from the color red or reddish to all colors, yet in its bill of complaint filed November 28, 1934 (R. 1) it only alleges (R. 2) ownership "of a trade-mark comprising a round or circular figure of a red color" and prays that respondent be enjoined "from directly or indirectly using the said red mark" (R. 7). Its trade-mark registration (R. 338), the affidavit of its president, Mr. Fink (R. 51) and the exhibits, particularly exhibit 16 attached to the petition, all indicate that it has confined and limited its trade-mark to the use of the color red or reddish as found by the Trial Court (R. 250).

For the Court's convenience we have affixed hereto a comparative summary chart.

COMPARTIVE SUMMARY CHART

	Petitioner MISHAWAKA CO.	Respondent S. S. KRESGE CO.		
		1	2	3
		"Crusader" mfg. by Essex Rubber Co.	"Surefoot" mfg. by O'Sullivan Rubber Co.	"Evergrip" mfg. by Boston Woven Hose & Rubber Co.
GOODS:	Completed Footwear *only*	Replacement rubber heels only	Replacement rubber heels only	Replacement rubber heels only
TRADE-MARK	"Mishko" "Ball Band" in raised lettering, also "Mishawaka, Indiana" at bottom	"Crusader" in prominent raised lettering, also "S. S. Kresge Co." at the bottom	"Surefoot" in prominent raised lettering, also "Gettysburg, Pa." at bottom of all heels except very large men's heel	"Evergrip" in prominent raised lettering
ORNAMENTATION: (1) Configuration	Disk or plug inserted in heel with words "Trake Mark" on top surface	Engraved bas relief or crusader head and helmet at first on circular background in depressed portion of heel but now on diamond background in depressed portion of heel	Engraved bas relief of Indian head in full feather headdress on circular background in depressed portion of heel	Engraved bas relief of spread American eagle on circular background in depressed portion of heel
(2) Colors used	Red only	At first red, then orange and now a crepe rubber color	At first red but now green	White and beige
(3) Shapes	Circular	At first circular but now diamond shape	Circular	Circular
(4) Placement	Top surface above plane of heel surface; no depressed rim	Top surface below plane of heel surface; depressed rim	Top surface below plane of heel surface; depressed rim	Top surface below plane of heel surface; depressed rim

SUMMARY OF ARGUMENT

The Trade-Mark Act of 1905, particularly Section 19, is procedural in its nature and does not create substantive rights in trade-marks nor does it require in each and every case an accounting for profits. The degree of judicial interference will necessarily depend upon the facts proved and found in each case.

The theory upon which petitioner can require an accounting from respondent for its profits is that respondent has obtained such profits in part or in whole from sales attributable to its infringement on the theory of a trustee *ex maleficio*. However, the record shows, and both the Trial Court and the Court of Appeals found, that none of respondent's sales of replacement heels were attributable to its very technical infringement due to the use of the color red. Furthermore, the Court found that petitioner lost no sales as a result thereof.

In the first instance, petitioner must prove the existence of sales attributable to respondent's infringement of its trade-mark, but here respondent has derived no profits attributable to its technical infringement and therefore the carefully limited accounting awarded to petitioner is all that it is entitled to.

We deny the asserted conflict on the law between the instant case and cases in the Third and Seventh Circuits, the difference in results being attributable to the difference in the facts proved and found.

Damages which are uncertain or speculative cannot form the basis of a recovery. The record shows that petitioner lost no sales attributable to respondent's technical infringement and there being no other reliable proof of

damages petitioner is not entitled to an accounting therefor.

The use by petitioner of a circular red plug on its heels used and sold only as a component part of its finished footwear does not give petitioner monopolistic rights to other colors contrasting to the base color of the heel and particularly when those heels are sold by respondent at retail and only for replacement purposes.

ARGUMENT

PART I (a)

THE DECISION IS NOT IN CONFLICT WITH THE TRADE-MARK ACT. THE ACT IS PROCEDURAL, DOES NOT CREATE SUBSTANTIVE RIGHTS IN TRADE-MARKS, NOR REQUIRE IN EVERY CASE AN ACCOUNTING OF PROFITS. THE ACQUISITION OF SUCH SUBSTANTIVE PROPERTY RIGHTS DEPENDS UPON THE LAWS OF THE SEVERAL STATES. THE COURT OF APPEALS RECOGNIZED THESE PRINCIPLES AND THE DEGREE OF ITS JUDICIAL INTERFERENCE NECESSARILY DEPENDED UPON THE FACTS PROVED AND FOUND IN THE CASE

Our position is that the Trade-Mark Act of 1905 did not create in registrants thereunder substantive rights, but procedural rights only; further, that resort must be had to the laws of the several states to determine the substantive rights pertaining to a trade-mark when affixed to the registrant's products.

Neither did the Trade-Mark Act intend to deprive the Courts of their judicial function in awarding or withholding injunctive relief or in determining the extent thereof; nor in awarding or withholding an accounting for profits or for damages or both, or in determining the extent thereof. The Act, we submit, leaves it the function of the Court to determine if there have been sales attributable to the infringement and to determine also by its decree the profits from which sales there shall be an accounting.

Petitioner would interpret the Trade-Mark Act of 1905 in such a way as to confer jurisdiction upon the federal courts but at the same time to deprive the Court of its

judicial function in determining when and by what norm and on what sales an accounting of profits should be awarded.

Section 19 of the Trade-Mark Act was not intended to create in the registrant substantive property rights but such rights rest upon the laws of the several states, *American Trading Company v. Heacock Company*, 285 U. S. 247, 258. Registration of a trade-mark under the Act of Congress of 1905 does not and can not have the effect of enlarging the rights of petitioner beyond what they would have been under common law principles, *United Drug Company v. Rectanus*, 248 U. S. 90, 99.

In *American Foundries v. Robertson*, 269 U. S. 372, at 381, the Court in discussing the Trade-Mark Act of 1905, said:

> "The general doctrine is that equity not only will enjoin the appropriation and use of a trade-mark or trade name where it is completely identical with the name of the corporation, but will enjoin such appropriation and use where the resemblance is so close as to be likely to produce confusion as to such identity, to the injury of the corporation to which the name belongs. *Cape May Yacht Club v. Cape May Yacht & Country Club*, 81 N. J. Eq. 454, 458; *Armington & Sims v. Palmer*, 21 R. I. 109, 115. *Judicial interference will depend upon the facts proved and found in each case. Hendriks v. Montagu*, L. R. 17 Ch. Div. 638, 648; *Higgins Co. v. Higgins Soap Co.*, 144 N. Y. 462, 469-471.
>
> *These principles, it must be assumed, were in mind when Congress came to enact the registration statute. And, since that body has been given no power to legislate upon the substantive law of trade-marks,* it reasonably may be assumed, also, that, to the extent the contrary does not appear from the statute, the intention was to allow the

registration of such marks as that law, and the general law of unfair competition of which it is a part, recognized as legitimate."

If as stated in the above quotation "judicial interference will depend upon the facts proved and found in each case" then the language of Section 19 of the Trade-Mark Act—"in addition to the profits to be accounted for"—does not require the federal courts at all times and at all events to award profits, but leaves to the courts their judicial function to determine what sales are attributable to the infringement and hence what profits are to be accounted for in the accounting. After the court has delineated the class of sales for which an accounting of profits should be made, it is then incumbent upon registrant under Section 19 "to prove defendant's sales only; defendant must prove all elements of cost which are claimed."

The record abundantly justifies the conclusion that no part of respondent's profits either in whole or in part, on any of the replacement heels involved in this suit, are attributable to the very technical infringement here found resulting from the use of the color red. Petitioner not only has failed to prove the existence of any profits accruing to the S. S. Kresge Company attributable to its trade-mark, but the record shows and the trial court has found that petitioner has lost no sales and respondent has made no sales because of the markings here called in question (R. 301-2-3).

The burden of proof rests upon petitioner in the first instance to prove the existence of profits accruing to respondent but attributable to its trade-mark, for in *Westinghouse Manufacturing Company v. Wagner Manufacturing Company*, 225 U. S. 604, it is said (p. 614):

> "The question who has the burden of proof in cases like this, is one of great practical importance and constantly arises in patent cases * * * (p. 621). In the present case the infringer's conduct has been such as to preclude the belief that it has derived no advantage from the use of the plaintiff's infringement. * * * (p. 621). All the inconvenience of the confusion is therefore upon the party who produces it, and it is for him to distinguish his own property or lose it. It may be argued that, in its last analysis, this is but another way of saying that the burden of proof is on the defendant. And no doubt such, in the end will be the practical result in many cases, but such burden is not imposed by law; *nor is it so shifted until after the plaintiff has proved the existence of profits attributable to his inventions and demonstrated that they are impossible of accurate or approximate apportionment.* If then the burden of separation is cast on the defendant, it is one which justly should be borne by him, as he wrought the confusion."

In the Westinghouse case quoted from above, the Court was called upon to construe Section 4921 of the Rev. Stat. which provides in case of infringement of patents that the complainant shall be entitled to recover "the profits to be accounted for by the defendant." These quoted words are identical with Section 19 of the Trade-Mark Act of 1905 and this Court has recognized that the Congress intended to produce a parallelism in these two statutes. See *American Foundries v. Robertson,* 262 U. S. 209, 215.

The identical language of the Trade-Mark Act would seem therefore to be entitled to the same interpretation placing the burden of proving the existence of profits attributable to his mark, upon the registrant in the first instance.

The Court of Appeals in our case recognized that the burden of proof in the first instance was upon petitioner to prove that respondent obtained profits attributable to its technical infringement (R. 446) but it found (R. 446):

> "From the circumstances of this case, there appears no reasonable probability that there was confusion or deception without evidence of the fact. Therefore, the burden was upon appellant to prove that appellee had made profits attributable in whole or in part to the use of appellant's trade-mark, even though they used identical or similar colors."

It also found (R. 442):

> "There is no finding of fact in the case at bar and we find no evidence in the record to support the inference that appellee adopted the symbol used on its heels for the fraudulent purpose of attracting to itself business or sales which belonged to appellant and there is no evidence that any such sales occurred. * * * No justification is found in the record for an inference that anyone appears to have been deceived by appellee's trade-mark into purchasing its shoe heels and lifts in the belief that he was purchasing shoe heels produced by appellant."

It is also evident from the findings made by the District Court that respondent received no profits attributable to petitioner's trade-mark (R. 301-2).

We submit that Section 19 of the Trade-Mark Act has been properly followed by the Court of Appeals in recognition of and in obedience to the decisions of this Court interpreting its scope and function.

PART I (b)

THE ACCOUNTING AWARDED IN THE INSTANT CASE IS IN ACCORD WITH THE APPLICABLE DECISIONS OF THIS COURT IN ANALOGOUS CASES

No allegation is made nor is there any finding in this case by either the District Court or the Court of Appeals of any interference with either interstate or foreign commerce. Therefore, the conclusion of Mr. Justice Holmes in *United States Printing Company v. Griggs and Company*, 279 U. S. 156, is applicable, *i. e.*, that the Trade-Mark Act of 1905 provides no remedy where the infringement of a trade-mark registered under it is within the limits of a state and does not interfere with interstate or foreign commerce.

The very few sales of replacement rubber heels by respondent over its counter locally to its customers which the Trial Court found technically to infringe because of the use of the color red have not been found to interfere with interstate or foreign commerce.

Furthermore, since Congress has been given no power to legislate upon the substantive law of trade-marks, *American Foundries v. Robertson*, 269 U. S. 372, 381, *American Trading Company v. Heacock Company*, 285 U. S. 247, 258, resort must be had to the state law for the determination thereof "under common law principles." *United Drug Company v. Rectanus*, 248 U. S. 90, 99.

The better view is that questions pertaining to the measure of damages recoverable are matters of substantive law, not matters of procedure, *Goodrich on Conflict of Laws*, Sec. 88, 211; *Restatement of the Law, Conflict of Laws*, Sec. 412.

In this regard Michigan law recognizes and relies upon *Straus v. Notaseme Company,* 240 U. S. 179; see *Liberty Oil Corporation v. Crowley Milner Company,* 270 Mich. 187, 193.

There is such a striking parallel between our case and *Straus v. Notaseme Company, supra,* that we quote at length from Mr. Justice Holmes' opinion therein (p. 182):

> "We assume that, coupled with the script upon the band, there is sufficient pictorial similarity to deceive some persons, but, unless we go considerably farther, to charge the defendants with all the profits would be unjust.
>
> "The question remains whether the petitioners' sales probably were induced to any large extent by confusion in the mind of the public between the petitioners' goods and the plaintiff's. The goods were different in character, were called by a different name, were sold mainly in different places and by parties not likely to be mistaken for each other. The petitioners had advertised them as Irontex since April, 1908. Their business was that of retailers in the city of New York, where they were widely known. The Notaseme Company's business was wholesale, from Philadelphia, starting with New England and the South. So far as purchasers bought because the petitioners recommended the goods, or on the strength of the name, by whatever recommended, as distinguished from the colors and figures of the label, or from knowledge of the specific article, or from preference for full fashioned over seamless hose, *or for any reason but the inducement of the red square, bar, and script supposed to indicate the plaintiff's hose, the plaintiff has no claim on the petitioners' profits.*
>
> "There is some indication that the plaintiff's business was mainly in hosiery for men, while Macy & Company's was more than three quarters

> for women and children. That the name, which the defendants do not imitate, but, on the contrary, exclude by using another wholly unlike it, was thought more important by the plaintiff than it now is willing to admit, is shown not only by the use of it upon the trademark proper, but by the adoption of a new name for the plaintiff company to conform to it. Taking all these considerations into account coupled with the absence of evidence that any deceit or substitution was accomplished in fact, we find it impossible to believe that any considerable part of the petitioner's business was due to their goods being supposed to be the plaintiff's hose. The petitioners properly were enjoined from further use of the mark in controversy, but, so far as the decree charged them with profits, it is reversed."

All of the matters discussed by Mr. Justice Holmes in the quoted provisions above are equally applicable and may be repeated with respect to the difference between the replacement heels sold by the respondent, S. S. Kresge Company, only at retail and the heels of petitioner manufactured for use only in connection with its finished footwear and never sold at wholesale or at retail for replacement purposes. To borrow Justice Holmes' language, respondent's and petitioner's heels "were different in character, were called by a different name, were sold mainly in different places and by parties not likely to be mistaken for each other." The Court of Appeals so found (R. 445).

Petitioner relies strongly upon the case of *Hamilton-Brown Shoe Company v. Wolf Bros. & Company,* 240 U. S. 251. However, that was a case where the infringing party had made profits attributable to the infringement and the difficulty arose by reason of the infringer's confusion of its wrongful profits with its rightful profits. Such is not our case, however.

The language of the Court in *Ammon & Person v. Narragansett Dairy Company,* 254 Fed. 208 (affirmed 262 Fed. 880) at p. 209, expresses our thoughts with respect to the distinction between our case and the Hamilton-Brown Shoe Company case:

> "*Hamilton-Brown Shoe Co. v. Wolf Bros. Co.,* 240 U. S. 251, 36 Sup. Ct. 269, 60 L. Ed. 629, has slight application to the facts of the present case. In that case of fraudulent imitation the court applied the principle applicable in cases of tortious confusion of goods. 240 U. S. 262, 36 Sup. Ct. 269, 60 L. Ed. 629. *It is to be noted that the exclusion from an accounting of sales, where the infringing mark was accompanied by matter clearly indicating that the goods were of the defendant's manufacture, was affirmed.* 240 U. S. 255, 260, 36 Sup. Ct. 269, 60 L. Ed. 629. See, also, *Wolf Bros. Co. v. Hamilton-Brown Shoe Co.,* 206 Fed. 611, 619, 124 C. C. A. 409. The rule applicable in cases of confusion of goods extends no further than necessity requires. See cases cited in *Bouvier's Law Dict. (Rawle's 3d Ed.), Vol. 1,* pp. 605, 606."

We call attention here to the finding by the Trial Court (R. 302 (e)):

> "That nearly all of the rubber heels which were on display in the S. S. Kresge Company stores covered by plaintiff's affidavits have borne in addition to the colored marks identifying trade marks, symbols or other indicia which further indicates that the heels being offered for sale by the S. S. Kresge Company were not the heels manufactured by the plaintiff."

If the same type of sales excluded from the accounting in the Hamilton-Brown Shoe Company case, were excluded in our case, then we submit in view of the foregoing finding, that no accounting at all would be justified.

This Court has recognized that a court may or may not award an accounting of profits following a determination of trade-mark infringement (See *Straus v. Notaseme Co.*, 240 U. S. 179, *Saxlehner v. Siegle-Cooper Company*, 179 U. S. 42, where no accounting was awarded, and *Hamilton-Brown Shoe Company v. Wolf* where a limited and carefully defined accounting of profits was allowed.

Furthermore, the theory upon which petitioner can require an accounting from respondent is that respondent has obtained profits due in part or in whole to sales attributable to the infringement on the theory that respondent has become a trustee *ex maleficio* thereof; see *Hamilton Brown Shoe Company v. Wolf*, 240 U. S. 251, *Leman v. Krentler-Arnold Hinge Last Company*, 284 U. S. 448, *Aladdin Manufacturing Company v. Mantle Lamp Company*, 116 F. 2d 708, *Anchor Stove & Range Company v. Rymer*, 97 F. 2d 689.

As we have heretofore pointed out, both the District Court and the Court of Appeals found that respondent received no profits attributable to its technical infringement. It therefore becomes apparent that in carefully defining and limiting the accounting here awarded the trial court and the appellate court were correct, both having cited and relied upon applicable decisions of this Court.

PART I (c)

THE RULING IN THE CASE AT BAR DOES NOT CONFLICT WITH THE HOLDING OF THE CIRCUIT COURT OF APPEALS FOR THE THIRD AND SEVENTH CIRCUITS BECAUSE THE PROOFS AND FINDINGS OF FACT IN OUR CASE JUSTIFY THE RESULTS REACHED

We believe that the striking contrast between the findings of fact in our case and in *Aladdin Manufacturing Company v. Mantle Lamp Company of America,* 116 F. 2d 708, explains and justifies the difference in the result reached in the two cases.

We dispute the asserted conflict on the law.

In the Aladdin case the Court of Appeals found on page 716:

> "That the acts of the infringer were wanton, wilful and intentionally fraudulent, not only in infringement but also in unfair competition."

It should be noted here parenthetically that "the law of trade-marks is but a part of the broader law of unfair competition," *United Drug Company v. Rectanus,* 248 U. S. 90, 97.

The appellant in the Aladdin case proved (p. 714) deliberate effort on the part of the infringer to profit wrongfully from its magazine and radio advertising. The Court found (p. 714) that there were numerous sales in seven states "in which false representations were made resulting in selling to appellant's dealers goods of appellee (the infringer) as those of appellant."

With such a background proving not only actual profit accruing to the infringer and attributable to the infringement, but also a deliberate and fraudulent effort to cultivate and continue such accumulation at the expense of the owner, it is not surprising that an accounting of profits and damages was ordered.

The theory upon which the owner of a trade-mark is permitted to recover profits is evident from the opinion in the Aladdin case, where on page 715 it is said:

> "He (the owner) might proceed in equity and recover the profits which the infringer had made by the unlawful use of his invention, *the infringer in such a suit being regarded as trustee of the owner of the patent as respects such gains and profits.* • • • In equity, he, the wrongdoer, has a double character, being first treated as a species of agent or trustee practising the invention for the benefit of its true owner, obliged to pay him the profits of the enterprise."

It is apparent from the foregoing that if and when there are profits accruing to the infringer from sales attributable to the infringement, either in part or in full, then the infringer should account to the owner for those profits.

The Court of Appeals for the 6th Circuit in the case at bar recognized this theory for the recovery of profits by way of accounting when it said (R. 446):

> "but before he is entitled to an accounting of profits for the use of his mark, the burden rests on him to show by a fair preponderance of evidence that either actual or reasonable probable deception or confusion has resulted and regard must be given to the class of persons who purchase the articles and to the circumstances ordinarily attending their sale. From the circumstances of this case, there appears no reasonable probability that there was confusion or deception without evidence of the fact."

The Court of Appeals also found (R. 442):

> "There is no finding of fact in the case at bar and we find no evidence in the record to support the inference that appellee adopted the symbol used

> on its heels for the fraudulent purpose of attracting to it business or sales which belonged to appellant and there is no evidence that any such sales occurred. * * * No justification is found in the record for an inference that anyone appears to have been deceived by appellee's trade-mark into purchasing its shoe heels and lifts in the belief that he was purchasing shoe heels produced by appellant."

It is, therefore, apparent that respondent S. S. Kresge Co. obtained no sales attributable to its very technical infringement. Therefore, it may truthfully be said that it holds none of its profits as a trustee *ex maleficio*. See *Hamilton Brown Shoe Company v. Wolf Brothers & Company*, 240 U. S. 251, at p. 259, where the theory of a trustee *ex maleficio* is discussed.

Furthermore, the opinion in the Aladdin case indicates that the Court of Appeals for the 7th Circuit recognized that profits from sales not attributable to the infringement should be excluded from the accounting for they did as much in excluding the profits from the sale of "Aladdin Smoking Stands" and "Aladdin Smoking Trays" (p. 712).

* * * * *

An analysis of *Duro Company v. Duro Company*, 56 F. 2d 313, and the previous appeal in the same cause found in 27 F. 2d 339, leads us again to deny an asserted conflict between those cases and the case at bar.

The second appeal found in 56 F. 2d 313, and relied upon by petitioner, deals principally with a determination of the proper "elements of cost" provable by defendant under Section 19 of the Act in arriving at the actual figures in the accounting ordered. It is clear, we submit, that the Court awarded an accounting not for all of defendant's sales but for only those profits from defendant's sales which were attributable to the infringement, for on page 313 it is said:

> "The matter was referred to a Master, to take the usual accounting and report to the Court the *defendant's profits by reason of the infringement* or damages caused by its wrongful acts."

There was proof in the Duro cases indicating either actual or reasonably probable deception and confusion, for in the District Court's opinion found in 27 F. 2d 336 at p. 338, we find the following finding (p. 338):

> "The plaintiff was the first to adopt the name "Duro" as applicable to its electrical product. *By the unwarranted use by the defendant of this name undoubtedly purchasers were misled.* A man purchasing a Duro engine, and requiring a new spark plug, would undoubtedly seek a Duro plug. The Duro plugs are made of a size to fit exactly in the Duro engine. The difference in letter arrangement would not enable the purchaser to detect the simulated article. The plaintiff is entitled to the reputation his goods have acquired under the term "Duro," whether this name be a surname or not, and whether it is a technical trademark or not. *The essence of the wrong is the sale of these electrical goods for those of the plaintiff.*"

and in the Court of Appeals decision in the first appeal found in 27 F. 2d 339, the following finding is made (p. 339):

> "As the goods of both companies are sold by the same class of dealers, it is quite clear that the owner of a Duro engine might well assume that a spark plug, marked 'Duro' and furnished by the same dealer as his Duro engine, was a replacement made by the maker of the Duro engine; and if so misled into purchase, and the spark plug proved unsatisfactory, the impairment of good will resulting therefrom would fall upon the maker of the Duro engine * * * (p. 340) but under the surrounding circumstances (we) limit the accounting from the date of the filing of the bill."

We contrast these findings in the Duro case with the findings in our case of no sales attributable to the very technical infringement resulting from the use of the color red.

The Court of Appeals in our case said (R. 446):

> "From the circumstances of this case, there appears no reasonable probability that there was confusion or deception without evidence of the fact."

and the District Court found (R. 301-2):

> "(a) There is no direct testimony that the defendant, S. S. Kresge Company, its agents and employees, did and there is testimony that they did not attempt to palm off in any instance its heels as the heels manufactured by the plaintiff company.
>
> "(b) I find that there is no proof that any purchases of heels from the defendant, S. S. Kresge Company, was motivated by a belief on the part of the purchaser that he was getting plaintiff's product but there is reasonable likelihood that some may have.
>
> "(c) There is no direct proof that the plaintiff, Mishawaka Rubber Company, has lost sales as the result of purchases made from the defendant, S. S. Kresge Company, of either the Crusader heel or the Sure-Foot heel with the trade-mark in the color red.
>
> "(e) That nearly all of the rubber heels which were on display in the S. S. Kresge Company stores covered by plaintiff's affidavits have borne in addition to the colored marks identifying trademarks, symbols or other indicia which further indicates that the heels being offered for sale by the S. S. Kresge Company were not the heels manufactured by the plaintiff."

* * * * *

To summarize our position, we maintain that in the Aladdin case and in the Duro case, as we have indicated by quotations from opinions, there were sales attributable to the infringement which resulted in profits making the infringer a trustee *ex maleficio* of them and justifying the accounting ordered.

But the contrary circumstances are true in our case for here respondent did not make any sales nor enjoy any profits attributable to its very technical infringement. Both the trial and appellate courts so found as we have indicated.

While the principles of law remain constant the result may vary depending upon the facts proved and found in each case which here explain the ultimate result reached.

> "Judicial interference will depend upon the facts proved and found in each case." *American Foundries v. Robertson,* 269 U. S. 372, 381.

We submit that the asserted conflict is not on the law but upon the facts proved and found.

PART II

THE COURT OF APPEALS WAS JUSTIFIED IN VIEW OF THE ABSENCE OF RELIABLE PROOF OF DAMAGES IN NOT AWARDING AN ACCOUNTING THEREFOR

The Trade-Mark Act does not require an accounting for damages at all times and in all cases but the degree of "judicial interference will depend upon the facts proved and found in each case. These principles, it must be assumed, were in mind when Congress came to enact the registration statute," *American Foundries v. Robertson,* 269 U. S. 372, 381.

Prior to the adoption of Section 19 of the Trade-Mark Act of 1905, being 15 U. S. C. A. 99, there was considerable doubt whether in the same case in a court of equity the owner could recover profits attributable to the infringement and in addition thereto, the damages sustained from the infringement. The Trade-Mark Act removed this doubt.

In the *Aladdin* case, 116 F. 2d 708, relied upon by petitioner, it is clear from the court's opinion that the purpose of Section 19 of the Trade-Mark Act of 1905 was to permit the recovery in a proper case of both profits and damages. On page 715 it is said:

> "Under the act covering trade-marks, Title 15 U. S. C. A. Section 99 * * * The procedure is analogous to that in patent cases."
>
> "Before passage of the act of 1870, 16 Stat. 270, two remedies were open to the owner of a patent whose rights had been infringed, and he had his election between the two. He might proceed in equity and recover the profits which the infringer had made by the unlawful use of his invention, the infringer in such a suit being regarded as trustee

> of the owner of the patent as respects such gains and profits; or he might sue at law, in which case he would be entitled to recover as damages, compensation for the pecuniary injury suffered by the infringement; the measure of damages in such case being not what the defendants had gained but what the plaintiff had lost."

It is said in *Hamilton-Brown Shoe Company v. Wolf Brothers & Company* (1915), 240 U. S. 251, at 259:

> "In the courts of England, the rule seems to be that a party aggrieved must elect between both damages and profits and cannot have both. In this country, it is generally held that *in a proper case* both damages and profits may be awarded."

We believe it to be clear that the judicial function of determining whether the "proper case" was presented and proved, was not interfered with by the Trade-Mark Act.

In the Aladdin case (p. 717) "there was proof of injury to appellant's business in appellee's conduct, including injury to its goodwill and nullification of its advertising program for which it expended large sums of money, over and above the profits gained by appellee. For such injury it was entitled to compensatory damages."

Contrast with the facts in the Aladdin case, the proofs in our case.

The only proof in the record justifying any speculation as to damages is found in the affidavit of Mr. Fink, president of the petitioner corporation. On page 78 he says: "It is believed that said acts have been and are causing a great amount of damage to plaintiff." This affidavit was sworn to on June 14, 1935, and was filed with the Clerk of the Court on June 17, 1935. It is obviously speculation as far as Mr. Fink is concerned. We objected to its admissi-

bility in paragraph (i) on page 226. This was discussed at the trial, on April 20, 1938, and may be found at page 238 of the record, where the Trial Court agreed with us.

It is obvious that plaintiff in 1938 on the trial elected to stand on the same proofs that it offered in August of 1935 at the preliminary hearing. It had three years in which to accumulate any proof that it was sustaining damage. The fact that it found no proof and offered no proof to supplement this speculation found in an affidavit filed in 1935, ought to be enough to support any court that no damage was sustained by the petitioner.

The trial court found (R. 302):

> "c. There is no direct proof that the plaintiff, Mishawaka Rubber Company, has lost sales as a result of purchases made from the defendant, S. S. Kresge Company, of either the Crusader heel or the Sure-Foot heel with the trade-mark in the color red."

In *Anchor Stove and Range Company v. Rymer*, 97 F. 2d 689 at 691, it is said:

> "'*When a plaintiff in a trade-mark or unfair competition case seeks to recover damages, the burden is on him to prove by competent and sufficient evidence his lost sales,* or that he was compelled to reduce prices as the result of his competitor's wrongful conduct. There is no presumption of law or of fact that a plaintiff would have made the sales that the defendant made.' The authorities sustaining this principle are sufficiently cited in the text. Especially is this true when the alleged infringer sells his product at a substantially lower price, for 'It does not follow, because a party makes a purchase at a lower price, that he would have bought the same article at a higher price.' *Cincinnati Siemans Gas Co. v. Western Siemans Co.*, 152 U. S. 200, 206, 14 S. Ct. 523, 526, 38 L. Ed. 411.

> "The presumption relied upon by the master is undoubtedly derived from those cases in which an award of profits made by the wrongdoer is made to the person injured on the theory that the wrongdoer is not to be permitted to profit by his unlawful act. *Liability for damage arises solely from the injury done to the property rights of the adverse party, and is not supported by the fiction which places the infringer in the position of a trustee and requires him to account for profits made as such.*"

It is apparent from the findings of the trial court and the above quoted principles of law on damages that plaintiff has failed to make a *prima facie* case justifying such an award.

> "Damages which are uncertain or speculative cannot form the basis of a recovery." *Oil Corporation v. Crowley-Milner Company,* 270 Mich. 187.

> "It is well understood that such evidence must show damages to reasonable certainty. Mere 'plausible anticipation' does not merit consideration nor are flights into the realm of pure speculation entitled to be treated as evidence." *Connecticut Ry. & Lighting Company v. Palmer,* 305 U. S. 493-505.

When the trial court's finding of a tendency to injure petitioner's goodwill (R. 252) stressed by petitioner, is considered in the light of the Court's subsequent amended finding of no loss of sales (R. 301) it is evident that there is no proof of damage, merely a "tendency" which "cannot form the basis of a recovery" under Michigan law. *Oil Corporation v. Crowley-Milner & Company, supra.*

PART III

THE USE BY PETITIONER OF A CIRCULAR RED PLUG ON ITS HEELS USED AND SOLD ONLY AS A COMPONENT PART OF FINISHED FOOTWEAR SHOULD NOT GIVE PETITIONER MONOPOLISTIC RIGHTS AS TO OTHER COLORS CONTRASTING WITH THE BASE COLOR OF THE HEEL AND USED ONLY ON HEELS SOLD BY RESPONDENT AT RETAIL FOR REPLACEMENT PURPOSES

Petitioner argues on page 19 of its brief under Point III that because it has used a red plug on its heels sold only at wholesale as a component part of finished footwear, the public will now conclude that it is the manufacturer of the various heels which respondent sells for replacement purposes at retail, even though they were marked with a green Indian head, a beige American eagle or a Crusader head in natural rubber color as evidenced by its Exhibits 33, 37 and 48. This, it seems to us, is a clear *non sequitur* in the absence of supporting proof of which the record is barren.

The trial Court consistently refused to extend the injunctive relief to any color other than "red or reddish" (original findings, R. 253; Finding 3, R. 288; Finding 5, R. 290, Colloquy R. 277—Decree R. 323).

There is absolutely no proof in this record that any purchases of heels from the respondent, S. S. Kresge Company, in any of the colors involved herein were motivated by a confused belief on the part of the purchaser that he was getting petitioner's product. The Trial Court so found (R. 301-302). The Trial Court furthermore found that there was no proof that petitioner had lost any sales as a result of any purchases of replacement heels made from the respondent, even though the marks were of red (R. 302). It is evident that no deceit

was intended or consummated. The Court of Appeals so found (R. 442).

The Court of Appeals also found (R. 445) that:

> "The symbols and lettering descriptive of the articles and bearing the names of appellant and appellee respectively as manufacturers or producers, are entirely unlike in arrangement, general form and appearance insomuch that no one could mistake the lifts and heels of appellee, excluded from the lower court's injunction, for those of appellant."

Petitioner's president, Mr. Fink, testified (R. 55): "It is believed that the purchasing public, knowing of this unique and peculiar mark of plaintiff's rubber heels (its red plug), will regard and do regard rubber heels like those of the defendant with spots of bright or contrasting colors on the tread face thereof as of the same origin as plaintiff's rubber heels."

We desire to make the same answer to this "belief" which is so lacking in evidentiary value as was made in *Ammon and Person v. Narragansett Dairy Company*, 254 Fed. 208 (affirmed 262 Fed. 880) at p. 509, where the Court said:

> "The plaintiffs' contention that the word 'Queen' alone had become so associated with plaintiffs' goods that it meant to the public plaintiffs' goods, and that therefore defendant's profits are presumably due to that meaning, finds little support in the evidence. The contention is based rather upon a theoretical presumption than upon any substantial testimony.
>
> "To apply in this case a presumption that purchasers who ordered goods from the defendant's factory, or who purchased goods packed in defendant's cartons (which could not be mistaken for

> plaintiffs'), did so because of any knowledge of plaintiffs' reputation or connection with the goods, would be highly unreasonable. Presumptions are never allowed against ascertained and established facts; when these appear presumptions disappear. *Lincoln v. French*, 105 U. S. 617, 26 L. Ed. 1189."

It was not the policy of respondent, S. S. Kresge Company, to mix the heels bearing the various colored marks and the Trial Court so found (R. 302). The heels were segregated and so arranged and displayed to provide an attractive counter without emphasizing any colored insert over any other colored insert (R. 175—Trial Court's findings R. 302). It has been the experience of the respondent that the color red has no sales supremacy over other colors (R. 142).

The margin line of fair trade between petitioner and respondent was set in the preliminary hearings before District Judge Tuttle, August 10, 1935. The S. S. Kresge Company was enjoined from the purchase or sale of replacement heels with the red mark. They were permitted to sell the balance of the heels with the orange mark but were enjoined from any other further purchases thereof (R. 219). Although the final decree (R. 322) did not go as far and permits the purchase and sale of heels with the mark in the orange color respondent voluntarily ceased its use.

From August 19, 1935, the effective date of the preliminary injunction, this margin line was religiously followed by respondent. Respondent since then has used neither red nor orange marks. Petitioner never made any complaint thereafter of its conduct. Petitioner had three years from the time of the preliminary hearing to the time of the trial in which to accumulate evidence that respondent's conduct was damaging to it or that respondent's profits were attributable to petitioner's mark. It

used at the time of the trial in April of 1938 the same affidavits by the same witnesses which were filed in June of 1935 prior to and used upon the preliminary hearing. It must have been satisfied with its proofs, otherwise it would not have induced us to stipulate that the evidence on the preliminary hearing be the same as the evidence on the final hearing. It filed this stipulation on April 4, 1938 (R. 223).

There is no legal or factual basis for enlarging petitioner's injunction to include all colors. Its round red plug is neither original nor arbitrary. It is as old as the "Rising Sun" of Japan which the trial court found that it copies (R. 303).

There can be no monopolistic rights in a circular form, *Patton Paint Co. v. Sunset Paint Co.*, 290 Fed. 323; nor in color, *Taylor v. Bostick*, 299 Fed. 232; *Diamond Match Co. v. Saginaw Match Co.*, 142 Fed. 727, "and a trade-mark which may be infringed by a streak of any color, however applied, is manifestly too broad." See *Leschen v. Broderick*, 201 U. S. 166, 171, where it is said:

> "Upon the plaintiff's theory, a wire rope containing a streak of any description or of any color would be an infringement, and a manufacturer honestly desiring to distinguish his wire rope from that of the plaintiff's by a difference in color might, by adopting a white streak running along the length of the rope across the strands, find himself an infringer, when his real object may have been to obtain a mark which would distinguish his manufacture from that of the plaintiff's. Even if it were conceded that a person might claim a wire rope colored red or white, or any other color, it would clearly be too broad to embrace all colors. So, although it might be possible to claim the imprint of a colored figure on a wire rope, the figure should be so described that other manufacturers would know how to avoid it. If the trade-mark be

> a colored streak, it should be, at least, described, and a statement of the mode in which the same is applied and affixed to the rope; and a trade-mark which may be infringed by a streak of any color, however applied, is manifestly too broad."

We believe that petitioner's claimed injury in this respect is more fancied than real. It produces not one single purchaser who was confused by the ornamental dress of respondent's heels in any color. It is difficult also to believe that there could have been confusion in fact for petitioner does not manufacture heels for sale anywhere in America as replacement heels. Respondent's heels, on the other hand, are sold only for replacement purposes.

There is no justification in the record that any confusion existed, either actually or presumptively. The Court of Appeals so found (R. 442-445-446). Petitioner's theory is unsupported by the proofs.

We submit that petitioner's injunctive relief cannot equitably be extended in view of the proofs in this record.

CONCLUSION

For the foregoing reasons we submit that petitioner has had its day in Court and that in view of the facts here proved and found, no important questions of local law or federal law have been decided in a way probably in conflict with applicable decisions.

We submit, therefore, that under Rule 38, paragraph 5, the Writ prayed for should not issue.

Respectfully submitted,

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